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Over 100 member of Congress have signed a letter to Ed DeMarco, acting director of the Federal Housing Finance Agency, calling on him to allow underwater homeowners to get principal reductions on their mortgages.

To date, Mr. DeMarco has ignored calls to take action to make sure that homeowners who have their loans through Fannie Mae or Freddie Mac can be offered principal reductions.

“Your unilateral decision to block all forms of principal write-down has prevented the housing market from recovering more quickly,” the letter says in part.

Earlier this month, a \$25 billion settlement was announced for 49 states to help former and current homeowners who have struggled in the wake of the foreclosure crisis. Although five major banks — Bank of America, Wells Fargo, J.P. Morgan Chase, Ally Financial, and Citigroup — are participating in the settlement, homeowners with loans secured by “Government-Sponsored Enterprises” (GSEs) are not eligible for that assistance.

The GSEs, including Freddie Mac and Fannie Mae, own or secure approximately 60 percent of the mortgages in the country.

“We must break up the housing logjam to get our economy back on track. This means enacting commonsense measures like principal reductions to help underwater homeowners,” says Rep. Jerry McNerney, D-Pleasanton, whose district includes Stockton, one of the hardest hit cities in the nation by the mortgage crisis.

FHFA had promised that it would reconsider its position if other funds became available for principal write-downs, which happened on Jan. 27, Mr. McNerney says.

The Treasury Department announced that it would triple incentives for investors offering principal reductions through the Home Affordable Modification Program (HAMP).

“The recent settlement with the banks was a good step, but more must be done. Only when we stabilize our housing market will we be able to return to a pattern of economic progress,” says Mr. McNerney.